

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 AGRE-00

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00

AID-05 SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02

SOE-02 OMB-01 DOE-15 XMB-02 OIC-02 /140 W

-----096759 300128Z /20

R 291657Z JUN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7562

INFO ALL EC CAPITALS

AMEMBASSY TOKYO

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 12790

USEEC

DEPT PASS STR ELECTRONICALLY. GENEVA FOR MTN.

E.O. 11652: GDS

TAGS: EEC, MTN

SUBJECT: DENMAN ON MTN

1. SIR ROY DENMAN, DIRECTOR GENERAL EXTERNAL RELATIONS, BRIEFED ME JUNE 29 ON COUNCIL CONSIDERATION OF MTN. SINCE WE HAVE REPORTED FROM OTHER SOURCES ON COUNCIL DEBATE, I REPORT HERE ONLY POINTS EMPHASIZED BY DENMAN. HE SAID ELEVEN HOURS OF DISCUSSION IN 113 COMMITTEE AND FOUR HOURS OF MINISTERIAL TALK HAD BEEN TOUGH BUT HE CHARACTERIZED RESULT AS FAIR ALTHOUGH DISAPPOINTING TO COMMISSION IN SOME RESPECTS.

2. ON SELECTIVE SAFEGUARDS, HE AND HAFERKAMP HAD FOUGHT HARD WITH FIRST CLASS SUPPORT FROM GERMAN STATE MINISTER VON DOHNANYI BUT BRITISH AND FRENCH WERE NOT ABOUT TO
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AGREE TO PRIOR CONSULTATIONS. COMMISSION HAD LIMITED DAMAGE TO CRITICAL CIRCUMSTANCES WITH SIMULTANEOUS NOTIFICATION AND EARLY CONSULTATION. IN REPLY TO MY QUESTION AS TO WHETHER OR NOT INDIVIDUAL MEMBER STATES OR ONLY COMMUNITY COULD INVOKE SELECTIVE SAFEGUARDS, DENMAN SAID THIS WOULD DEPEND ON OUTCOME OF COMMISSION EFFORTS ALREADY UNDERWAY IN COREPER TO DEFINE PROCEDURES FOR IN-

VOCATION. AS HE DESCRIBED EXISTING SITUATION FOR ITEMS ON SO-CALLED LIBERALIZED LIST, MEMBER STATES MUST CONSULT WITH COMMISSION AND OBTAIN COMMISSION OK BEFORE INVOKING SAFEGUARDS WHILE FOR NON-LIBERALIZED ITEMS PRESENTLY THEY COULD PROCEED ON THEIR OWN. COMMISSION PROPOSAL BEING RESISTED BY FRENCH AND BRITISH IS THAT IN ALL CASES MEMBER STATES WOULD HAVE TO CONSULT WITH COMMISSION BEFORE INVOKING SAFEGUARDS AND THAT IF COMMISSION WERE NOT IN AGREEMENT WOULD HAVE TO OBTAIN COUNCIL AUTHORITY BEFORE INVOKING SAFEGUARDS.

3. DENMAN SAID COUNCIL INSISTED WITH RESPECT TO OUR PROPOSED SECOND TRACK PROCEDURE THAT UNILATERAL ACTION WAS UNACCEPTABLE. HE SAID DEBATE HAD BEEN LONG AND HARD ON LIST OF DOMESTIC SUBSIDIES BUT COUNCIL HAD FINALLY COME DOWN FIRMLY AGAINST.

4. OVERALL HE SAID DELL AND DENIAU AND HIS PEOPLE HAD PLAYED THE ROLE OF "WRECKERS." DENIAU HAD GONE ON AT GREAT LENGTH ABOUT PROBLEM OF CONVERTING ASP DUTIES AND HAD BEEN UNWILLING TO RECOGNIZE THAT WHEN HE HAD BEEN COMMISSIONER HE HAD APPROVED TOKYO-ROUND PROTOCOL CONTAINING PROVISIONS SIMILAR TO WHAT NOW CONTEMPLATED. THE ITALIANS HAD GENERALLY BEEN SILENT EXCEPT THAT THEY HAD FOUGHT FEROCIOUSLY AGAINST PROPOSALS FOR PHASE OUT OF DISCRIMINATORY QRS REJECTING EVEN THE THOUGHT OF AN EIGHT-CONFIDENTIAL

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YEAR PHASE OUT PERIOD. HERE, HOWEVER, DENMAN THOUGHT THAT EVENTUALLY A DECLARATION OF INTENT MIGHT BE WORKED OUT WHICH WOULD SATISFY JAPANESE POINT.

5. ON AGRICULTURE, DENMAN ADMITTED THERE HAD REALLY BEEN NO DISCUSSION AND HE ARGUED THAT IN THE CIRCUMSTANCES IT WOULD HAVE BEEN COUNTERPRODUCTIVE TO HAVE TAKEN THE ISSUES TO THE COUNCIL. RATHER HAFERKAMP AND GUNDELACH WOULD HAVE TO HAVE BILATERAL TALKS WITH THE FRENCH AND ITALIANS IN PARTICULAR TO PREPARE THE WAY FOR THE NEEDED CONCESSIONS LATER. IN HIS JUDGMENT THIS COULD NOT BE DONE SUCCESSFULLY BEFORE JULY 15.

6. I MENTIONED TO DENMAN OUR IDEAS FOR A DECLARATION ON COMMERCIAL AIRCRAFT. HE REACTED POSITIVELY AND WITHOUT COMMITMENT TO OUR SPECIFIC ISSUES SAID HE THOUGHT A USEFUL DECLARATION COULD BE DEVELOPED (SEE STATE 164727).

7. DENMAN GROUSED TO ME ABOUT OUR CONTINUED EMPHASIS ON THE RULES OF ORIGIN PROBLEM. HE ADMITTED COMMISSION HAD NOT YET TALKED TO EFTA STATES AND ARGUED SOMETHING BUT NOT MUCH COULD BE DONE. I TOLD HIM THIS WAS DIFFICULT

ISSUE BUT THAT IN MY JUDGMENT THE TEXTILES ASPECT OF IT WHICH WAS SERIOUSLY IMPACTING OUR TRADE WAS PARTICULARLY HARD TO STOMACH SINCE HE MIGHT RECALL THAT AT THE TIME STRAUSS AND OTHERS HAD TAKEN THE DECISION TO WORK WITH THE COMMISSION AND DAVIGNON FOR RENEWAL OF THE MFA WITH "REASONABLE DEPARTURE" WE HAD BEEN ASSURED THAT AMERICAN BILATERAL TEXTILE INTERESTS WOULD NOT BE ENDANGERED BY COMMISSION ACTION BUT IN FACT WHILE WE HAD HELPED THE COMMUNITY, THE COMMUNITY COUNTRIES HAD BEGUN FAIRLY STRICT ENFORCEMENT OF WHAT WERE EXTREMELY RESTRICTIVE RULES OF ORIGIN. THUS, THERE WAS NOT ONLY REAL TRADE DAMAGE COMPARED TO THE PREVIOUS DE FACTO SITUATION, BUT

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 12790

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THERE WAS A BELIEF IN AMERICAN TEXTILE CIRCLES THAT WE HAD BEEN HAD.

8. IN REPLY TO MY QUESTION AS TO WHETHER THERE WAS A POSSIBLE MECHANISM FOR GETTING FURTHER MOVEMENT FROM THE COUNCIL WERE THAT NECESSARY TO COMPLETE THE JULY 15 PACKAGE, HE SAID THEORETICALLY YES BUT PRACTICALLY NO. HE THOUGHT DISCUSSION AT BREMEN MIGHT BE PROVOKED BUT BASICALLY WAS OF THE VIEW THAT THESE SUBJECTS SHOULD NOT BE DISCUSSED BY HEADS OF GOVERNMENT. A SPECIAL

COUNCIL MEETING WAS NOT BETTER THAN A REMOTE POSSIBILITY. HE DID BELIEVE, HOWEVER, THAT A FAIRLY IMPRESSIVE PACKAGE COULD BE WORKED OUT PRIOR TO THE BONN SUMMIT AND THAT FIRM DIRECTIVES COULD BE GIVEN AT BONN TO THE NEGOTIATORS TO FINISH THE JOB AS SOON AS POSSIBLE.

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9. MISSION COMMENT: RE MEMBER STATE-COMMISSION EXERCISE ON LIBERALIZED LIST (PARA 2 ABOVE), WE ARE NOT CERTAIN THAT DENMAN WAS TELLING THE WHOLE STORY. SEPTTEL GIVES FRENCH POSITION ON THIS QUESTION DURING COUNCIL MEETING AND WORKING LEVEL COMMISSION COMMENT. THIS NEEDS FURTHER EXPLORATION ON OUR PART.

ON SECOND TRACK PROCEDURE (PARA 3 ABOVE), WE HAVE NO INDICATION FROM OTHER SOURCES THAT THIS CAME UP IN COUNCIL DISCUSSION. DENMAN MAY JUST BE TELLING US WHAT HE WANTS US TO BELIEVE ON THIS POINT. HINTON

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